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Industrial Growth Management Limited
Annual Report
for the Year ending January 31, 1970

BOARD OF DIRECTORS

RICHARD C. W. MAURAN

President, Industrial Growth Management Limited;
Chairman of the Board, Harvey's Foods Limited;
Chairman of the Board, Grissol Foods Limited.

GEORGE B. SUKORNYK, Q.C.

Vice-President, Industrial Growth Management Limited;
President, Harvey's Foods Limited;
Secretary, Grissol Foods Limited.

ALEXANDER CHRIST

Vice-President, Industrial Growth Management Limited.

J. W. NEVIL THOMAS

Vice-President, Industrial Growth Management Limited;
Director, Midland-Osler Securities Limited.

JAMES A. STEPHENSON

Secretary-Treasurer, Industrial Growth Management Limited;
Barrister and Solicitor, Beaton Leake & Fellowes.

OFFICERS

RICHARD C. W. MAURAN
President

GEORGE B. SUKORNYK, Q.C.
Vice-President

ALEXANDER CHRIST
Vice-President

J. W. NEVIL THOMAS
Vice-President

JAMES A. STEPHENSON
Secretary-Treasurer

IRMGARD SCHULZ
Assistant-Secretary

HEAD OFFICE 238 Bloor St. West, Toronto 181, Ontario

Transfer Agent and Registrar
The Canada Trust Company.

Auditors
Price Waterhouse & Co.

Bankers
Canadian Imperial Bank of Commerce;
The Royal Bank of Canada.

Counsel
Beaton, Leake & Fellowes;
Shibley, Righton & McCutcheon.

TO OUR SHAREHOLDERS

It is with great pleasure that I present our first annual report.

Industrial Growth Management Limited (formerly Industrial Growth Fund Limited) was incorporated on July 21, 1967 as a management company designed to manage pools of capital both on a fee basis and for its own account. As a result IGM manages the funds of a public open-end mutual fund and invests its own surplus funds primarily in younger companies where considerable growth potential exists and where the business and financial experience of the IGM management can be of benefit.

IGM was managed as a private company until March 1969 when shares were sold to the public (60,000 common shares at $7.00). A further financing was completed in June 1969 resulting in the sale of 30,000 shares of common stock for $500,000 ($16.67 per share) and $400,000 of 5% convertible debentures. This latter financing was arranged privately. As of January 31, 1970, approximately 80% of the total outstanding common shares were held by the existing management as is all of the $9 million 7% preferred stock issue (on which instance preferred dividends have been waived by the holder for 10 years). Therefore, the degree of public ownership in the company is still a distinct minority with the management still maintaining significant holdings.

The primary purpose of selling shares to the public was to establish the company in the investment community and in the public eye in order to facilitate the company's business interests. It was apparent from our experience that a public company has more investment opportunities presented to it, and also, peculiar to our business, a public company is able to obtain a greater investor following. These factors would be of advantage when some of IGM's private investments reach the public ownership stage. Therefore, at this stage of the company's development, it was felt that some public interest would best serve the company's purposes.

The first fiscal year has been devoted primarily to making the operational transition from a private to a public company and in investing surplus funds. As a private concern, a large percentage of the surplus funds were concentrated in few companies. Although some imbalances still exist, steps have been taken to obtain a greater degree of diversification. In addition to the planned changes in the portfolio, standards for evaluating new investments had to be developed as 1969 resulted in an abnormally large number of investment proposals being presented, undoubtedly due to both the awareness of IGM as a source of financing and the growing tight money situation which tended to eliminate other more traditional sources of financing. These standards were developed with the view of investing in ventures via an instrument which would offer an annual return and security in addition to giving IGM an equity interest. The major problem of IGM as a private company was that it held too large a percentage of its assets in non-yielding securities, thus resulting in a low annual cash flow for the company. Therefore, all new investments have been made with these standards in mind and over the next few years greater priority will be given to increasing the annual cash flow of IGM while obtaining a greater degree of diversification in the portfolio.

For the fiscal year ended January 31, 1970 net earnings were $188,131 or $.57 per share. As the non-yielding sector of the portfolio is gradually converted to yield instruments with equity attached, earnings per share should experience a gradual increase.

In summary, I wish to point out that we have undertaken to build a successful Canadian corporation based on sound principles long practiced by the successful managers of money in other nations through many generations. We are particularly aware of the need for such a role in a newly developing and rapidly growing nation such as Canada. The extraordinarily favourable business conditions of the past decade have resulted in the birth of many industries and businesses. The job during the next decade will be to insure that these businesses are allowed to mature into stable and consistently successful corporations. IGM is prepared to assist in this process of development and therefore profit from the successful progress of young companies.

Respectfully,

AUGUST 13, 1970

R. C. W. MAURAN,
President
on the behalf of the Board of Directors

DESCRIPTION OF SOME PRINCIPAL INVESTMENTS

Canadian Reserve Investors Limited

This company is a holding company with its principal asset being a 100% interest in the common shares of Reliable Life Insurance Company, a Hamilton, Ontario based life insurance company. IGM first invested in Canadian Reserve in 1968 after searching the Canadian industry for a suitable vehicle as an entry into this industry. Canadian Reserve then purchased a 37% interest in Reliable Life as of year-end 1969, assisted by a further financing by IGM. During early 1970, Canadian Reserve acquired in exchange for its common shares the balance of the outstanding shares of Reliable Life not already held. This acquisition is the first step in Canadian Reserve's plans to build a one stop financial service which could ultimately include life insurance, general insurance and mutual funds. If all its equity holdings were fully converted, IGM would hold 19% of the then outstanding common shares of Canadian Reserve. With Reliable Life having shown considerable growth over the past three years and the future outlook being favourable, it is expected that a public market for the shares of Canadian Reserve will be effected during 1970, which should tangibly indicate the growth in IGM's original investment.

Grissol Foods Limited

Grissol is a public company, listed on the Toronto and Montreal Stock Exchange, which is a successful manufacturer, packager and distributor of a large variety of food products which has exhibited a rate of growth far superior to the industry in which it operates. With the assistance of a $2 million financing by IGM, the Company during 1969 completed the purchase of Viau Limitée, a manufacturer of biscuits, chocolates, and candies; and Taillefer & Fils Inc., a private company which manufacturers and distributes prepared meat products. These acquisitions considerably enlarged the company's base and are contributing to increased profitability. The Company expects to show growth in the year ahead from both increased sales and from continued internal improvements in the recently acquired companies. We consider this one of our most stable yet rapidly growing investments and believe the foundation has now been laid for the emergence of a major company within its industry.

Harvey's Foods Limited

Harvey's, a public company listed on the Toronto Stock Exchange, is one of the leading Canadian "fast-food" franchising companies operating under the well known names of "Harvey's" and "Swiss Chalet Bar-B-Q". Your management was one of the founding investors in this successful young company and holds various forms of Harvey's securities. Fiscal 1970 proved to be a difficult year for the Company as the capital markets prevented adequate financing which would have continued the rapid expansion programme followed during the past few years. The Company rejected several financing proposals because of their cost and ultimate dilution to the common shareholders and it is the Company's view, with which we concur, that the business has now been built up to a point where continued expansion at prohibitive cost could jeopardize the company's strength in later years. Thus it has been decided to continue to run the current stores (in excess of 90 locations) on an efficient basis and to keep new openings in line with internal cash flow until financing can be arranged on a sound basis.

We continue to believe that the industry is sound and that the company's competitive position within the industry is strong. However, the stock price continues to reflect the somewhat irrational behavior of the franchising group of stocks. We note that up until early 1968 it was difficult to interest any investor in a so-called "hot-dog" stand company. Then the U.S. counterparts became market favourities and the stock became so popular that it sold at an excessive price-earnings ratio throughout 1968. Then during 1969, the group lost favour and currently the stock sells below book value. We feel that it will be better for both the Company and its shareholders when the shares begin to reflect more rational behavior consistent with assets and earnings growth which are expected to be gradually favourable over the longer term.

Industrial Growth Fund

IGM has the exclusive management contract to manage the assets of the Industrial Growth Fund, an open-end mutual fund when began in 1968. With assets of approximately $4.0 million, IGM is able to make a profit in managing these funds and considerable leverage exists as assets under administration grow. The fund was started too late to experience any exceptional infusion of public funds during the great popularity for mutual funds in 1967-68 but has likewise avoided any redemption problems during the weak markets of 1969-70. Particular emphasis has been laid on managing the funds of other organizations

such as pension funds and we feel this area offers considerable potential. The fund's record for its 2½ years of operation is superior to the market averages and above-average within its industry. We believe we are building a record of capable money management which will gradually result in increased assets under administration. We continue to feel that the profitability outlook in this area is favourable.

Knogo Corp. (New York) — Knogo Corporation Limited

The Knogo anti-pilferage detection system is a revolutionary new product aimed at preventing shop lifting. Designed for department stores and other retail outlets, the Knogo system is based on a small electronic wafer, which is attached to every garment and may only be removed by means of a special cutting machine at the time of purchase. If the merchandise is taken from the department store with the wafer still attached, an electronic beam is broken, thereby sounding an alarm which activates a warning signal. Reports from users indicate that the KNOGO system has had a significant effect in cutting down on store pilferage. Users in the United States have been operating the KNOGO system for up to 3 years. We feel this is a technically feasible system which offers major growth potential. The direct benefit to the merchandiser is that it attacks a major problem in the retailing industry and, if successful, is likely to penetrate the entire industry.

IGM entered this situation by financing the U.S. company in early 1969 via a $500,000 (U.S.) 6% debenture convertible into a 10% equity interest in the U.S. company and for this financing IGM received the exclusive Canadian, Commonwealth, and German franchise rights for the production and distribution of the KNOGO system. The U.S. company developed the product over 3 years ago and began to directly market the product in 1969. Sales are proceeding well and a franchise sales programme was recently started. Now that profitability has been achieved, there exists the possibility that the management may choose to do a public financing during 1970. In such an event IGM's investment would be tangibly worth more. Otherwise, the debenture remains well secured with growth expected during the next few years.

The Canadian company — KNOGO Corporation Limited — was started in 1969 and began marketing the product in Canada in the fall of 1969. Initial sales response has been satisfactory and the results from the early customers indicate substantial benefit in reducing pilferage. The Canadian company sold shares to the public in March 1970 which yielded the Company approximately $600,000, enabling it to proceed with its manufacturing and marketing program adequately financed. IGM holds an important interest in the Canadian company.

Although a completely new product which holds the inherent risks of any untried product, we feel the potential well justifies the risks and the initial progress in both companies has been satisfactory.

Spretty Corporation Ltd.

The investment in Spretty Corporation Ltd. was made in May 1969 at which time Spretty Corporation Ltd. acquired control of all outstanding shares of Tilly Manufacturing Ltd. (formerly Tillotson Rubber Co. Ltd.).

A high quality toy manufacturer since 1940, Tilly Manufacturing Ltd. is the largest Canadian manufacturer of Latex baloons, beach balls, punch balls, and vinyl dolls and squeeze toys, distributed to large department stores and toy stores across Canada under trade mark "Tilly".

In January 1970 Tilly Manufacturing Ltd. acquired all the assets and the business of L. Tanguay Products Ltd. of Sherbrooke, Quebec, a subsidiary of The Oak Rubber Company, Ravenna, Ohio. L. Tanguay Products Ltd. was engaged in balloon manufacturing, specializing in advertising balloons and in minted wrapped advertising toothpicks. All assets were moved to the plant of Tilly Manufacturing Ltd. in St. Johns, Que.

This investment was made because of an attractive purchase price for a stable, profitable business. The prospects for future growth were enhanced by the attraction of an aggressive new management to replace the retiring management. Spretty is, at present, a wholly owned subsidiary of IGM offering good prospects for the enhancement of our investment.

INDUSTRIAL GROWTH

BALAN

as at Janua

ASSETS

	January 31 1970	1969
Current Assets:		
Cash and bank deposit receipts	$ 226,048	$ 220,930
Short-term commercial notes	—	2,494,261
Serial debentures — amount due within one year	240,000	240,000
Accrued interest and dividends receivable	57,222	45,804
Other accounts receivable, deposits and advances	6,915	31,988
Total current assets	530,185	3,032,983
Investments, at cost		
Securities with quoted market value (market value — $1,292,342; 1969 — $709,417)	1,486,359	520,000
Securities without quoted market value (Note 2)	13,185,004	10,551,367
Investment property	92,656	—
	14,764,019	11,071,367
Fixed assets, at cost less accumulated depreciation of $8,072 (1968 - $545)	20,641	2,180
	$15,314,845	$14,106,530

APPROVED ON BEHALF OF THE BOARD:

R. C. W. MAURAN Director

G. B. SUKORNYK Director

The notes to financial statem

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SHEET

, 1970

LIABILITIES

	January 31 1970	1969
Current Liabilities:		
Accounts payable and accrued liabilities	$ 129,025	$ 425,232
Income taxes payable	17,700	23,700
Total current liabilities	146,725	448,932
5% Subordinated Sinking Fund Debentures, due January 31, 2009 (Note 5)	4,000,000	4,000,000
5% Convertible Subordinated Debentures due June 1, 1989 (Note 4)	400,000	—
7½% Mortgage Payable	16,955	—
Total liabilities	4,563,680	4,448,932

SHAREHOLDERS' EQUITY

Capital Stock:		
Authorized —		
1,000,000 7% non-cumulative non-voting preference shares redeemable at par value of $10 each		
1,500,000 common shares without par value		
Issued and fully paid —		
900,000 preference shares	9,000,000	9,000,000
330,000 common shares (Notes 3, 4, 5, 6 and 7)	1,159,910	239,910
Retained Income	591,255	417,688
	10,751,165	9,657,598
	$15,314,845	$14,106,530

are part of this statement.

STATEMENT OF INVESTMENTS

JANUARY 31, 1970

	Number of shares	Cost	Quoted Market Value
Securities with quoted market value:			
Grissol Foods Limited, common shares	60,000	$ 420,000	$ 390,000
Harvey's Foods Limited, common shares	81,700	562,779	388,075
Industrial Growth Fund, mutual fund shares	21,750	100,000	118,103
Potter Distilleries Ltd., common shares	15,072	72,126	86,664
Space-Pak International Ltd., common shares	5,000	15,000	12,500
Seaway Multi Corp., Class A, convertible preferred shares	20,000	98,954	87,000
Rapid Data Systems & Equipment Ltd. 6%, cumulative, redeemable, convertible preferred shares	30,000	217,500	210,000
		$1,486,359	$1,292,342

	Par value or number of shares	Cost	
Securities without quoted market value:			
Canadian Airlift Limited, common shares	15,000		$ 15,000
Canadian Reserve Investors Ltd.			
Common shares	119,680	$ 60,201	
6% cumulative convertible non-voting preference shares	5,400	135,000	195,201
Chateau Montlabert, common shares	500		4,400
G. Gordon Symons Ltd.			
Common shares	160	1,600	
Cumulative redeemable preferred shares	800	8,000	9,600
Grissol Foods Limited			
6% First Mortgage Bond due July 1, 1989	$2,000,000	1,900,000	
Share purchase warrants	200,000	100,000	2,000,000
Harvey's Foods Limited (Note 2)			
7½% serial debentures, Series C due $20,000 per month to March 31, 1971	$ 300,000	300,000	
Less- due within one year, included in current assets	$ 240,000	240,000	
	$ 60,000	60,000	
12% demand note	$ 360,000	360,000	
5½% cumulative reedemable first preference shares, Series A	10,000	500,000	
Second preference shares (convertible)	8,400	4,659,225	
Series 2 (1967) share purchase warrants	390,000	2,765,100	
Series 3 (1968) share purchase warrants	30,000	212,700	
7½% sinking fund debentures, Series A due April 15, 1974	$ 45,000	45,000	
8½% convertible debentures, Series D due June 1, 1978	$ 205,000	205,000	8,807,025
Helix Investments Ltd.			
Common shares	10,000	10,000	
6% redeemable preferred shares	10,000	100,000	110,000
J. W. Colin			
Second mortgage — due July 31, 1972			14,160
Knogo Corporation Limited			
6% promissory note due September 10, 1974	$ 90,000	$ 90,000	
9% demand note	$ 67,500	67,500	
Common shares	92,000	47,431	
Share purchase warrants	255,000	25,500	$230,431
Knogo Corporation (New York)			
6% debentures due May 15, 1979 (Note 8)	U.S.$ 500,000		540,031

	Par value or number of shares	Cost	
Queensbury Syndicate			
Capital		$ 3,600	
First mortgage 7% due May 13, 1974		540,000	
Less - portion of losses attributable to Industrial Growth Management Limited		(10,769)	$ 532,831
Space-Pak International Ltd.			
Share purchase warrants	7,500		15,225
Spretty Corporation Ltd.			
Common shares	110	1,100	
5% non-cumulative, redeemable preference shares	5,100	510,000	511,100
Rapid Data Systems & Equipment Ltd.			
7% subordinated notes (convertible) due September 4, 1974	$ 100,000		100,000
Twin Richfield Oils Ltd.			
8% convertible debentures due June 30, 1974	$ 100,000	99,000	
Share purchase warrants	10,000	1,000	100,000
			$13,185,004
Investment Property:			
Building		$ 74,500	
Equipment		9,750	
		84,250	
Accumulated depreciation		9,000	$ 75,250
Land			17,406
			$ 92,656

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended January 31 1970	1969
Source of funds:		
Operations —		
Net income for the year	$ 188,131	$ 417,688
Depreciation	16,527	545
Gain on sale of investments	(134,869)	(370,965)
	69,789	47,268
Issue of common shares	920,000	239,900
Issue of preference shares	—	4,348,450
Issue of debentures	400,000	4,000,000
Mortgage	16,955	—
Sales of investments	2,651,441	2,896,874
	4,058,185	11,532,492
Application of funds:		
Purchase of investments	6,116,568	8,945,726
Acquisition of land, buildings and equipment	127,644	2,725
Cost of share issue	14,564	—
	6,258,776	8,948,451
Increase (decrease) in funds for the year	$(2,200,591)	$2,584,041

The notes to financial statements are part of these statements.

STATEMENT OF INCOME AND EXPENSES

	Year ended January 31 1970	1969
Income:		
Interest	$318,507	$ 95,696
Dividends	56,617	22,812
Management fees	42,865	11,937
Service fees	5,325	5,000
	423,314	135,445
Expenses:		
Interest on long term debt	212,575	18,837
Income taxes	47,109	23,700
Salaries	31,070	5,408
Office and general	25,303	4,918
Depreciation	16,527	545
Legal and audit	16,291	6,885
Provision for share of losses incurred by Queensbury Syndicate	10,769	—
Custodian fees	7,875	—
Miscellaneous	2,533	22,624
	370,052	82,917
Net income from operations	53,262	52,528
Gain on sale of investments	134,869	370,965
Incorporation expense	—	(5,805)
Net income for the year	188,131	417,688
Retained earnings at beginning of year	417,688	—
Underwriting commissions and expenses of common share issue	(14,564)	—
Retained earnings at end of year	$591,255	$417,688

The notes to financial statements are part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. The name of the company was changed from Industrial Growth Fund Limited to Industrial Growth Management Limited by supplementary letters patent dated August 14, 1969.

2. Investment in Harvey's Foods Limited:
The investment in 8,400 second preference shares, with a par value of $1 each, of Harvey's Foods Limited, and upon which the dividend rights have been waived is convertible into an aggregate of 630,000 common shares of that company at the rate of 150,000 common shares per year.

   The investment in 390,000 Series 2 (1967) share purchase warrants and 30,000 Series 3 (1968) share purchase warrants of Harvey's Foods Limited entitles the holder to purchase an aggregate of 420,000 common shares of that company at $2.50 per share on or before May 15, 1977.

   The investment in the above second preference shares and share purchase warrants is stated at cost of $7,637,025. There is no quoted market value for these investments, but any imputed value which could be placed on these investments based upon the present market value of the common shares is significantly below the above cost. The company does not believe that a value based on the present market price of the common shares represents the intrinsic value of the securities and, in the absence of any other reasonable basis of valuation, believes that the investment should be carried at cost.

3. 90,000 common shares were issued during the year for an aggregate cash consideration of $920,000.

4. On June 1, 1969 the company issued $400,000 principal amount of 5% Convertible Subordinated Debentures due June 1, 1989 for a cash consideration of $400,000. These debentures are convertible at any time prior to redemption into common shares on the basis of one common share for each $20 of principal amount of debentures converted.

5. Sinking fund requirements of the 5% subordinated debentures are $200,000 in each of the years ending January 31, 1990 to 2008 inclusive.

6. Common Share Purchase Warrants:
There were issued on January 2, 1969 to the purchasers of the 5% subordinated debentures due January 31, 2009 share purchase warrants entitling the holders thereof to purchase at any time an aggregate of 800,000 common shares of the company at a price of $10 per share as adjusted from time to time in accordance with the provision of a warrant indebenture made as of December 15, 1968. The holders of these warrants are entitled to receive additional share purchase warrants in the event of the issuance by the company of additional non-redeemable shares of rights, obligations or shares convertible into non-redeemable shares; by a supplemental indenture dated May 1, 1969 this right was deferred until after March 26, 1969 so that no additional share purchase warrants were issued in respect of 60,000 common shares issued on March 26, 1969.

The issuance of the 5% Convertible Subordinated Debentures on June 1, 1969 required the company to authorize the issue of Series A Warrants entitling the holders thereof to purchase at any time an aggregate of 14,000 common shares of the company at a price of $20 per share as adjusted from time to time. The issuance of 30,000 common shares on June 11, 1969 required the company to authorize the issue of Series B Warrants entitling the holders thereof to purchase at any time 21,000 common shares of the company at a price of $16.66 per share as adjusted from time to time.

7. At January 31, 1970, 855,000 common shares were reserved for issue as follows:

Share purchase warrants	800,000
Series A warrants	14,000
Series B warrants	21,000
5% Convertible Subordinated Debentures due January 1, 1969	20,000
	855,000

8. The company is entitled to receive, no later than May 15, 1972, share purchase warrants to purchase at least 100,000 common shares of Knogo Corporation (New York) at no more than $5 per share for a period of ten years.

AUDITORS' REPORT

To the Shareholders of Industrial Growth Management Limited:

We have examined the balance sheet and the statement of investments of Industrial Growth Management Limited as at January 31, 1970 and the statements of income and expenses and retained income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The company carries its investment in convertible preference shares and share purchase warrants of Harvey's Foods Limited at cost of $7,637,025. Any imputed value of these investments based on the present market value of the common shares of Harvey's Foods Limited (as referred to in Note 2 to the financial statements) is significantly below this cost and we are unable to determine the amount at which these investments should be carried in the financial statements.

Subject to the foregoing qualification, in our opinion the financial statements present fairly the financial position of the company as at January 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, ONT.
MARCH 13, 1970

PRICE WATERHOUSE & CO.
Chartered Accountants

AR12

Industrial Growth Management Limited
238 Bloor Street West
Toronto 181, Ontario
Telephone 921-2173

Dear Shareholder, August 13, 1970

Please find enclosed your company's unaudited financial statements for the 3 month period ending April 30, 1970 and for the 6 month period ending July 31, 1970 along with the statements for the comparable periods in the prior fiscal year. The first quarter's report was delayed slightly because of adjustments which were required for the annual report so we are taking this opportunity to present the financial statements for the second quarter ahead of the customary schedule.

Net income for the 6 months ending July 31, 1970 was \$79,561 or \$0.24 per share versus \$35,824 or \$0.11 per share for the comparable period of the prior fiscal year.

Below we have reviewed some recent developments in some of the companies which comprise our portfolio.

Knogo Corporation Limited

Knogo has the exclusive Canadian, Commonwealth, and German franchise rights for the production and distribution of the Knogo anti-pilferage detection system. During March 1970, the Company sold 200,000 common shares to the public to yield the Company approximately \$600,000, enabling it to proceed with its manufacturing and marketing program adequately financed. The Company continues to show gradual marketing success as the problems of pilferage in the retailing industry continue to grow and as the Knogo system becomes more widely known and accepted.

Twin Richfield Oils Ltd.

During the month of March 1970, we purchased an additional \$50,000 par value Twin Richfield 8% convertible bonds with warrants attached. This increase in our investment in the company was based on our continued satisfaction with the operations plus the satisfactory purchase price of the bonds which had previously been sold privately to a small number of bondholders. In our opinion, our investment is well-secured and offers good growth potential.

The continued scarcity of capital and generally high interest rates continued to plagued younger firms in the economy, resulting in what appears to be an increased amount of attractive investment opportunities being presented to IGM. We feel that this period of history will prove to have opened several opportunities for gains in the years ahead.

Respectfully,

R. C. W. MAURAN,
President

INDUSTRIAL GROWTH MANAGEMENT LIMITED

Interim BALANCE SHEET

ASSETS

	APRIL 30th 1970	APRIL 30th 1969
Current Assets:		
Cash and bank deposit receipts	$ 9,667	$ 924,877
Short-term commercial notes	493,256	2,250,115
Serial debentures—amount due within one year	220,000	240,000
Accrued interest and dividends receivable	90,628	37,968
Other accounts receivable, deposits and advances	38,985	95,532
Total current assets:	$ 852,536	$ 3,548,492
Investments, at cost:		
Securities with quoted market value (market value—1970: $1,165,692—1969: $653,443)	1,519,718	535,000
Securities without quoted market value	12,851,073	10,499,199
Investment property	90,660	—
	$14,461,451	$11,034,199
Fixed Assets, at cost:		
less accumulated depreciation of $9,435 (1969: $985)	19,278	8,533
Total Assets:	$15,333,265	$14,591,224

LIABILITIES

	1970	1969
Current Liabilities:		
Accounts payable and accrued liabilities	$ 80,869	$ 469,030
Income taxes payable	14,439	28,163
Total current liabilities:	$ 95,308	$ 497,193
5% Subordinated Sinking Fund Debentures, due January 31, 2009	4,000,000	4,000,000
5% Convertible Subordinated Debentures, due June 1, 1989	400,000	—
7½% Mortgage Payable	16,484	—
Total Liabilities:	$ 4,511,792	$ 4,497,193

SHAREHOLDERS' EQUITY

	1970	1969
Capital Stock:		
Authorized:		
1,000,000 7% non-cumulative non-voting preference shares redeemable at par value of $10 each,		
1,500,000 common shares without par value		
Issued and fully paid:		
900,000 Preference shares	$ 9,000,000	$ 9,000,000
330,000 common shares (1969: 300,000 shares)	1,159,910	659,910
Retained Income:	661,563	434,121
	$15,333,265	$14,591,224

INDUSTRIAL GROWTH MANAGEMENT LIMITED

Interim Statement of INCOME and EXPENSES

	for 3 months, ending APRIL 30th 1970	1969
INCOME:		
Interest	S 74,125	S 71,239
Dividends	11,950	7,647
Management fees	10,056	12,311
Service fees	292	1,067
Rental	416	—
	S 96,839	S 92,264
EXPENSES:		
Interest on long term debt	53,644	48,767
Income taxes	4,239	4,463
Salaries	8,064	5,132
Office and general	9,712	3,926
Depreciation	3,360	440
Legal and audit	8,571	—
Custodian fees	834	348
Miscellaneous	1,381	117
	S 89,805	S 63,193
Net Income from operations	S 7,034	S 29,071
Gain on sale of investments	63,274	—
Finance expenses and commission	—	(12,638)
Net income for the period:	S 70,308	S 16,433
Retained earnings at beginning of year	591,255	417,688
Retained earnings at end of period:	S661,563	S434,121

INDUSTRIAL GROWTH MANAGEMENT LIMITED

Interim BALANCE SHEET

ASSETS

	JULY 31st 1970	JULY 31st 1969
Current Assets:		
Cash and bank deposit receipts	$ 16,626	$ 218,700
Short-term commercial notes	196,556	250,000
Serial debentures—amount due within one year	160,000	240,000
Accrued interest and dividends receivable	29,008	46,074
Other accounts receivable, deposits and advances	39,885	88,903
Total current assets:	$ 442,075	$ 843,677
Investments, at cost:		
Securities with quoted market value (market value—1970: $910,178—1969: $650,715)	1,869,758	685,000
Securities without quoted market value	12,851,073	13,904,974
Investment property	88,663	—
	$14,809,494	$14,589,974
Fixed Assets, at cost:		
less accumulated depreciation of $10,799 (1969: $1,418)	17,914	8,100
Total Assets:	$15,269,483	$15,441,751

LIABILITIES

	1970	1969
Current Liabilities:		
Accounts payable and accrued liabilities	$ 19,579	$ 426,638
Income taxes payable	3,174	5,600
Total current liabilities:	$ 22,753	$ 432,238
5% Subordinated Sinking Fund Debentures, due January 31, 2009	4,000,000	4,000,000
5% Convertible Subordinated Debentures, due June 1, 1989	400,000	400,000
7½% Mortgage Payable	16,004	—
Total Liabilities:	$ 4,438,757	$ 4,832,238

SHAREHOLDERS' EQUITY

	1970	1969
Capital Stock:		
Authorized:		
1,000,000 7% non-cumulative non-voting preference shares redeemable at par value of $10 each,		
1,500,000 common shares without par value		
Issued and fully paid:		
900,000 Preference shares	$ 9,000,000	$ 9,000,000
330,000 Common shares	1,159,910	1,159,910
Retained Income:	670,816	449,603
	$15,269,483	$15,441,751

INDUSTRIAL GROWTH MANAGEMENT LIMITED

Interim Statement of INCOME and EXPENSES

	for 6 months, ending JULY 31st 1970	1969
INCOME:		
Interest	S153,890	S150,411
Dividends	18,825	14,522
Management fees	21,733	25,329
Service fees	341	2,950
Rental	1,667	—
	S196,456	S193,212
EXPENSES:		
Interest on long term debt	109,945	102,273
Income taxes	17,000	13,200
Salaries	16,480	13,714
Office and general	16,240	10,933
Depreciation	6,719	874
Legal and audit	8,571	600
Custodian fees	1,539	630
Miscellaneous	2,475	584
Investment research service	1,200	—
	S180,169	S142,808
Net Income from operations	S 16,287	S 50,404
Gain on sale of investments	63,274	—
Finance expenses and commission	—	(14,580)
Net income for the period:	S 79,561	S 35,824
Retained earnings at beginning of year	591,255	417,688
less: additional income tax		(3,909)
Retained earnings at end of period:	S670,816	S449,603